GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3049
ANSWERED ON:10.08.2001
SETTLEMENT ADVISORY COMMITTEE
SHEESH RAM SINGH RAVI

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Settlement Advisory Committees were formulated by banks for compromise settlement of chronic NPAs;

(b) whether it is also a fact that these committees had failed to settle chronic NPAs;

(c) if so, the reasons therefor; and

(d) the remedial steps taken in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL):

(a) to (c) Reserve Bank of India (RBI) had issued guidelines to the public sector banksin May, 1999 for constitution of Settlement Advisory Committees (SACs). RBI has reportedthat the recovery of non-performing assets (NPAs) through SACs was Rs. 668.37 crore, as on 31st March, 2000. According to RBI more recovery of NPAs could not be made through SACs on account of inflexibility of the indicative parameters relating to settlement formula etc. contained in the guidelines.

(d) RBI has reported that in the light of the feedback received from the banks and inorder to arrest the incidence of fresh NPAs, it was decided to revise the guidelines contained in its circular of May, 1999. Accordingly, RB! issued revised guidelines to the public sector banks in July, 2000 to provide a simplified, non-discriminatory and non-discretionary mechanism for recovery of NPAs with outstanding up to Rs. 5 crores. As on 31st May, 2001, the public sector banks recovered an amount of Rs. 1914 crore underthe revised guidelines.